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LICENSING EXAMINATION STUDY OUTLINE

For January to June 2019 Examinations

(Issued in November 2018)

Module 6 Stock Market and Securities Law

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(This document consists of 22 pages including the cover page)

STUDY OUTLINE

MODULE 6: MALAYSIAN STOCK MARKET & SECURITIES LAW

This examination is designed to test a candidate's knowledge and understanding of the rules and regulations governing the Malaysian equity market. It is one of the examinations to be passed by individuals who:

- (1) intend to apply for a Capital Market Services Representative's Licence (CMSRL) to carry on the regulated activity of dealing in securities;
or
- (2) intend to hold the following positions in a firm which is a holder of a Capital Markets Services Licence (CMSL), for carrying on the business of dealing in securities:
 - Head of Operations
 - Head of Compliance
 - Compliance Officer;or
- (3) intend to be employees of registered persons who carry out the capital markets activities as stipulated in Item 1 of Part 1 of Schedule 4 of the Capital Markets and Services Act 2007.

Candidates are advised to refer to the Licensing Handbook for the detailed combination of examinations required for each regulated activity.

Candidates are expected to possess good knowledge and understanding of the subject matter provided in this study outline and specified references. In addition, candidates will be tested on their ability to analyse and apply the information at a basic level. It is estimated that this module will require a minimum of 80 hours of study time. Candidates may need less or more depending on the education background and work experience.

Candidates are expected to update themselves with the latest developments in this examination as all questions will be continuously updated to reflect these changes. Candidates are permitted to refer to their own prescribed reference materials during the examination. Note that no prescribed reference materials will be provided by the Securities Industry Development Corporation (SIDC). The prescribed reference materials brought into the examinations by candidates are subject to the terms and conditions of SIDC, details of which are set out in the terms and conditions of the SC licensing examinations.

The prescribed reference materials for this module are as follows:

- Securities Commission Act 1993
- Capital Markets and Services Act 2007
- Rules of Bursa Malaysia Securities Berhad
- Bursa Malaysia Securities Berhad Participating Organisations' Trading Manual
- Rules of Bursa Malaysia Securities Clearing Sdn Bhd
- Bursa Malaysia Securities Berhad Main Market Listing Requirements
- Bursa Malaysia Securities Berhad ACE Market Listing Requirements
- Bursa Malaysia Securities Berhad LEAP Market Listing Requirements
- Licensing Handbook
- Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries
- Guidelines on Market Conduct and Business Practices for Stockbrokers and Licensed Representatives
- Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework

Candidates are required to comply with the terms and conditions of the SC licensing examination. Severe penalties will be taken against candidates for any misconduct during the examination.

At the end of this study outline are 5 sample questions of various formats used in the Module 6 examination. The samples provided do not in any way reflect the level of difficulty or the subject-matter distribution of the actual examination. They are merely intended to familiarise candidates with the styles of multiple-choice questions used in the examination.

EXAMINATION STRUCTURE

Details of this examination are as follows:

Types of Questions	Multiple-Choice
Number of Questions	60 questions
Passing Mark	60%
Time Allocated	90 minutes
References /Text	<input type="checkbox"/> Examination Study Guide for Module 6: Malaysian Stock Market & Securities Law (<i>Sixth Print, 2012 Revised</i>) <input type="checkbox"/> Securities Commission Act 1993 <input type="checkbox"/> Capital Markets and Services Act 2007 <input type="checkbox"/> Rules of Bursa Malaysia Securities Berhad <input type="checkbox"/> Bursa Malaysia Securities Berhad Participating Organisations' Trading Manual

	<ul style="list-style-type: none">❑ Rules of Bursa Malaysia Securities Clearing Sdn Bhd❑ Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries❑ Guidelines on Market Conduct and Business Practices for Stockbrokers and Licensed Representatives❑ Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework❑ Bursa Malaysia Securities Berhad Main Market Listing Requirements❑ Bursa Malaysia Securities Berhad ACE Market Listing Requirements❑ Bursa Malaysia Securities Berhad LEAP Market Listing Requirements❑ Licensing Handbook
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REFERENCES

The relevant references (acts, guidelines, study guides and etc) for this examination can be obtained from Securities Commission Malaysia website at www.sc.com.my. The relevant acts and study guides for this examination may be purchased from:

SIDC Shop

Ground Floor, 3 Persiaran Bukit Kiara

Bukit Kiara

50490 Kuala Lumpur

Tel: (603) 6204 8665/8667

The Rules of Bursa Malaysia Securities Berhad, Rules of Bursa Malaysia Securities Clearing Sdn Bhd, Bursa Malaysia Securities Berhad Main Market Listing Requirements, Bursa Malaysia Securities Berhad ACE Market Listing Requirements and Bursa Malaysia Securities Berhad LEAP Market Listing Requirement are accessible via the Bursa Malaysia Securities Berhad website at www.bursamalaysia.com.

For more information, please visit the SIDC website at www.sidc.com.my.

LEARNING OBJECTIVES

Candidates are expected to have good knowledge, understanding and ability to apply in the following areas:

- The securities industry and its significance to the Malaysian economy
- The regulatory structure of the securities industry in Malaysia
- The main laws and regulations governing the operation of the securities industry in Malaysia
- The activities and current trends connected to money laundering and terrorism financing and the Malaysian regulatory approach towards them
- The relationship between the stockbroking company and its client
- The duty and standard of care applicable to person(s) who carries (carry) on the business of dealing in securities
- The licensing requirements of person(s) who carries (carry) on the business of dealing in securities and their representatives
- The various securities offences and description of how they are regulated
- The operations of the stock market in Malaysia

EXAMINATION SYLLABUS

The syllabus for this examination is divided into 3 sections and the maximum composition of questions from each section is as follows:

Section	Composition of Questions (Maximum)	Number of Questions (Maximum)
Section 1	20%	12
Section 2	70%	42
Section 3	40%	24

Details of the syllabus are as below:

SECTION 1

Topic 1: Overview of the Malaysian Stock Markets

1. Securities
2. The Malaysian Stock Market
3. Participants and Intermediaries in the Malaysian Stock Market

Topic 2: Regulation of the Securities Industry

1. Overview of the Law
2. Regulatory Bodies in Malaysia

Topic 3: Business Structures

1. Range of Business Structures
2. Companies
3. A Company's Constitution
4. General Management and Administration
5. Administration and Management of a Participating Organisation

SECTION 2

Topic 4: Capital Raising on the Primary Market

1. Primary Issues of Ordinary Shares
2. Post Listing Requirements
3. Securities Issues in the Secondary Market
4. Bursa Malaysia Securities Berhad Main Market Listing Requirements
(For scope, please see **APPENDIX 1**)
5. Bursa Malaysia Securities Berhad ACE Market Listing Requirements
(For scope, please see **APPENDIX 2**)
6. Bursa Malaysia Securities Berhad LEAP Market Listing Requirements
(For scope, please see **APPENDIX 3**)
7. Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework

Section A	:	General Requirements
		Chapter 1 Introduction
		Chapter 2 Definitions
		Chapter 3 Responsible Party

Section B	:	Specific Requirements
Part 2	:	Structured Products
		Chapter 1 General
		Chapter 2 Structure
		Chapter 3 Lodgement
		Chapter 4 Continuous Obligations
		Chapter 5 Revision
		Appendix 1
		Appendix 2

Lodgement Kit: Unlisted Capital Market Products under the Lodge and Launch Framework

Part 2	:	Structured Products
		Section 1: Lodgement Form - Structured Product Programme
		Section 2: Pre-issuance Notification - Structured Product Series under a Structured Product Programme
		Section 3: Monthly Post-Issuance Report

Topic 5: Trading on the Secondary Market

1. The Trading System
2. Rules of Bursa Malaysia Securities Berhad on Trading
3. Bursa Malaysia Securities Berhad Participating Organisations' Trading Manual
4. Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries

Part I	:	Introduction and Applicability
		1 Introduction
		2 Applicability
		3 Definitions

- 4 General Description of Money Laundering
 - 5 General Description of Terrorism Financing
 - 6 General Principles and Policies to Combat Money Laundering and Terrorist Financing
- Part II : Risk-Based Approach Application
- 7. Risk- Based Approach Application
- Part III : Customer Due Diligence (CDD)
- 8. Customer Due Diligence
 - 9. Group Wide ML/TF Programmes
- Part IV : Retention of Records
- 10. Record Keeping
- Part V : Suspicious Transactions
- 11. Reporting on Suspicious Transactions
 - 12. Confidentiality of Reporting
- Part VI : Compliance and Training Programmes
- 13. Internal Programmes, Policies, Procedures and Controls
- Part VII : Combating Terrorism Financing
- 14. Identification and Designation
- Appendices

5. Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives

Part I

- 1.0 Definitions
- 2.0 Introduction

Part II

- 3.0 Core Principles of Supervision
- 4.0 Primary Accountability And Responsibility For Compliance
- 5.0 Customer Due Diligence
- 6.0 Information To Customers
- 7.0 Discretionary Trades
- 8.0 Unauthorised Use of Customers' Accounts
- 9.0 Handling Error Trades
- 10.0 Managing Conflict Of Interest
- 11.0 Reporting Breaches
- 12.0 Market Abuses and Unethical Business Conduct

Part III

- 13.0 Appendix : Examples of Market Abuses and Unethical Business Conduct

Topic 6: Clearing, Delivery, Settlement and Corporate Actions

- 1. Clearing
- 2. Delivery and Settlement
- 3. Corporate Actions
- 4. Other Matters

Topic 7: Law of Contract

- 1. What is the Law of Contract?
- 2. Essential Elements of a Contract
- 3. Contracts entered into on Bursa Malaysia Securities Berhad

Topic 8: Relationship between Stockbroking Company and Client

1. Stockbroking Company and Client
2. Rules Governing the Stockbroking Company and Client Relationship
3. Buying Securities on the Market
4. Direct Business
5. Participating Organisation's Duties to Clients'
6. Participating Organisation's Rights
7. Client's Rights
8. Keeping of Records

Topic 9: Negligent Misstatement

1. Essential Elements of the Tort of Negligent Misstatement
2. Statutory Liability

SECTION 3

Topic 10: Licensing

1. Licensing Framework

Topic 11: Securities Offences

1. Trading in Securities: Prohibited Conduct Under the CMSA
2. Other Offences Relating to Dealing
3. Other Offences Relating to False and Misleading Statements
4. Other Offences

Topic 12: Take-overs

1. What are Take-overs?
2. The Legal Framework
3. Penalties for Contravention of the Code

BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

Chapter 1: Definition and Interpretation

1. Part A - Definitions
2. Part B - Interpretation

Chapter 2: General

1. Part A - General
2. Part B - Application of these Requirements
3. Part C - Documents to Comply with these Requirements
4. Part D - Information
5. Part F - Advisers/Share Registrars
6. Part G - Other Person Primarily Responsible for Listed Issuer
7. Part H - Others
8. Part I - Amendments to these Requirements

Chapter 3: Admission

1. Part B - Admission
2. Part C - Prize Stabilization Mechanism
3. Part D - Transfer of Listed Corporation to the Main Market

Chapter 4: Admission for Specific Applicants

1. Part A - General
2. Part B - Closed-end Funds
3. Part C - REITS
4. Part D - ETFS
5. Part E - Special Purpose Acquisition Companies
6. Part G - Stapled Securities

Chapter 4A: Foreign Listing

1. Part A - General
2. Part B - Admission Requirements for Primary Listing
3. Part C - Specific Continuing Obligations Relating to Foreign Issuers with a Primary Listing
4. Part D - Admission Requirements For A Secondary Listing

5. Part E - Specific Continuing Obligations Relating to Issuers With Secondary Listing

Chapter 8: Continuing Listing Obligations

1. Part A - General
2. Part B - Continuing Listing Criteria
3. Part C - Certificates, Transfers and Transmission
4. Part H- Others
5. Part I - Specific Continuing Obligations Relating to Price Stabilization Mechanism
6. Part J - Specific Continuing Listing Obligations Relating to Closed-end Funds
7. Part K - Specific Continuing Obligations Relating to REITS
8. Part L - Specific Continuing Obligations Relating to ETFs
9. Part M - Specific Continuing Obligations Relating to Special Purpose Acquisition Companies

Chapter 9: Continuing Disclosure

1. Part A - General
2. Part B - Corporate Disclosure Policy
3. Part C - Immediate Disclosure of Material Information
4. Part D - Thorough Public Dissemination
5. Part E - Clarification, Confirmation or Denial of Rumours or Reports
6. Part F - Response to Unusual Market Activity
7. Part G - Unwarranted Promotional Disclosure Activity
8. Part H - Insider Trading
9. Part I - Preparation of Announcements
10. Part J - Immediate Disclosure Requirements
11. Part K - Periodic Disclosures
12. Part M - Disclosure Requirements for Specific Listed Issuers
13. Part M1 - Infrastructure Project Corporations
14. Part M2 - Closed-End Funds
15. Part M3 - REITS
16. Part M4 - ETFs
17. Part M5 - Special Purpose Acquisition Companies

APPENDIX 1 (con't)

Chapter 10: Transactions

1. Part A - General
2. Part B - Definitions
3. Part C - Valuation and Information
4. Part D - Acquisitions and Disposals
5. Part E - Related Party Transactions
6. Part F - Very Substantial Transaction and Significant Change in the Business
Direction or Policy
7. Part G - Other Requirements

Chapter 12: Share Buy-Backs

1. Part A - General
2. Part B - Definitions
3. Part C - General Requirements
4. Part D - Source Of Funds
5. Part F - Additional Requirements

Chapter 14: Dealings in Listed Securities

1. Part A - General
2. Part B - Definitions
3. Part C - Application
4. Part D - Restrictions
5. Part E - Exemptions

Chapter 15: Corporate Governance

1. Part A - General
2. Part B - Directors
3. Part B(A) Nominating Committee
4. Part C - Audit Committee
5. Part D - Auditors
6. Part E - Corporate Governance Disclosure
7. Part F - Internal Audit

APPENDIX 1 (con't)

Chapter 16: Suspension, De-Listing and Enforcement

1. Part A - General
2. Part B - Trading Halt and Suspension
3. Part C - Withdrawal of Listing and De-Listing by the Exchange
4. Part D - Enforcement

APPENDIX 2

BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

Chapter 1: Definitions and Interpretation

1. Part A - Definitions
2. Part B - Interpretation

Chapter 3: Admission

1. Part A - General
2. Part B - Admission
3. Part C - Methods of Offering of Securities
4. Part D - Sponsors

Chapter 4: Sponsors

1. Part A - General
2. Part B - Definitions
3. Part D - Sponsors' Obligations
4. Part E - Ending a Sponsorship or Removal from the Register of Sponsors
5. Part F - Review of Performance and Conduct of Sponsors
6. Part G - Rules Governing Sponsored Corporations in Dealing with Sponsors

Chapter 8: Continuing Listing Obligations

1. Part A - General
2. Part B - Continuing Listing Criteria
3. Part C - Certificates, Transfers and Transmissions
4. Part D - Sponsorship of Depository Receipts
5. Part E - Offer for Sale
6. Part F - Directors
7. Part G - Share Issuance Scheme
8. Part H - Others
9. Part I - Specific Continuing Obligations Relating to Price Stabilization Mechanism

APPENDIX 2 (con't)

Chapter 9: Continuing Disclosure

1. Part A - General
2. Part B - Corporate Disclosure Policy
3. Part C - Immediate Disclosure of Material Information
4. Part D - Thorough Public Dissemination
5. Part E - Clarification, Confirmation or Denial of Rumours or Reports
6. Part F - Response to Unusual Market Activity
7. Part G - Unwarranted Promotional Disclosure Activity
8. Part H - Insider Trading
9. Part I - Preparation of Announcements
10. Part J - Immediate Disclosure Requirements
11. Part K - Periodic Disclosures
12. Part L - Circulars and Other Requirements

Chapter 10: Transactions

1. Part A - General
2. Part B - Definitions
3. Part C - Valuation and Information
4. Part D - Acquisitions and Disposals
5. Part E - Related Party Transactions
6. Part F - Very Substantial Transaction and Significant Change in the Business
Direction or Policy
7. Part G - Other Requirements

Chapter 12: Share Buy-Backs

1. Part A - General
2. Part B - Definitions
3. Part C - General Requirements
4. Part D - Source Of Funds
5. Part F - Additional Requirements
6. Part G - Requirements Relating To Buy Back Of Odd Lot Shares

APPENDIX 2 (con't)

Chapter 14: Dealings in Listed Securities

1. Part A - General
2. Part B - Definitions
3. Part C - Application
4. Part D - Restrictions
5. Part E - Exemptions
6. Part F - Procedures for Dealings

Chapter 15: Corporate Governance

1. Part A - General
2. Part B - Directors
3. Part B (A) Nominating Committee
4. Part C - Audit Committee
5. Part D - Auditors
6. Part E - Corporate Governance Disclosure
7. Part F - Internal Audit

Chapter 16: Suspension, De-Listing and Enforcement

1. Part A - General
2. Part B - Trading Halt and Suspension
3. Part C - Withdrawal of Listing and De-Listing by the Exchange
4. Part D - Enforcement

APPENDIX 3

BURSA MALAYSIA SECURITIES BERHAD LEAP MARKET LISTING REQUIREMENTS

Chapter 1: Definitions and Interpretation

1. Part A - Definitions
2. Part B - Interpretation

Chapter 2: General

Part A - General

Part B - Application of These Requirements

Part C - Information and Documents

Part D - Issuance of Documents By Electronic Means

Part E - Fees And Other Charges

Part F - Advisers

Part G - Others

Part H - Amendments To These Requirements

Part I - Exchange Holding Company And The Exchange

Part J - Qualified Market

Chapter 3: Admission

Part A - Admission

Part B - Methods of Offering of Securities

Part C - Continuing Advisers

Appendix 3A - Contents of information memorandum

Chapter 4 - Advisers

Part A - Definitions

Part B - Admission of Advisers

Part C - Adviser's Obligations

APPENDIX 3 (con't)

Part D - Listing Activities

Part E - Post-Listing Activities

Part F - Ending Advisory Services Or Removal From the Register of Advisers

Part G - Rules Governing Listed Corporations in Dealing With Advisers

Chapter 5 - New Issues of Securities

Part A - General

Part B - General Requirements For New Issue Of Securities

Part C - Requirements Relating to Placement

Part D - Requirements Relating To A Rights Issue

Part E - Requirements in Relation To A Bonus Issue

Part F - Requirements Relating To An Issue Of Convertible Securities

Appendix 5A

Chapter 6 - Continuing Listing Obligations

Part A - General

Part B - Continuing Listing Obligations

Part C - Continuing Disclosure

Appendix 6A

Chapter 7 - Transactions

Part A - General

Part B - Definitions

Part C - Valuation and Information

Part D - Discloseable Transactions

Part E - Related Party Transactions

APPENDIX 3 (con't)

Part F - Significant Change In The Business Direction Or Policy

Part G - Major Disposal Of Assets Resulting In Listed Corporations No Longer Suitable For Listing

Appendix 7A

Chapter 8 - Suspension, De-Listing and Enforcement

Part A - General

Part B - Trading Halt and Suspension

Part C - Withdrawal of Listing and De-Listing By The Exchange

Part D - Enforcement

APPENDIX 8A

APPENDIX 8B

APPENDIX 8C

SAMPLE QUESTIONS AND ANSWERS

Sample Question 1

Bursa Malaysia Securities Berhad carries out all of the following functions, EXCEPT:

- (A) governs the conduct of its Participants in securities dealings
- (B) is responsible for surveillance of the market place
- (C) is responsible for enforcement of its Listing Requirements
- (D) is responsible for performing the annual audit of its Participants' accounts

Sample Question 2

Pursuant to the Rules of Bursa Malaysia Securities Berhad, in which of the following situations should a Participating Organisation request for additional margin from its margin account clients?

- (i) Unusual rapid or volatile changes in value of securities
 - (ii) Active trading by client
 - (iii) Non-existence of active market
 - (iv) Suspension of securities from trading
-
- (A) (i) and (ii) only
 - (B) (iii) and (iv) only
 - (C) (i), (iii) and (iv) only
 - (D) (ii), (iii) and (iv) only

Sample Question 3

In Malaysia, the law of contract is governed by:

- (i) The consent of the parties
 - (ii) The Contracts Act 1950
 - (iii) The rules of common law and equity
 - (iv) The consideration issued by the parties
-
- (A) (i) and (ii) only
 - (B) (ii) and (iv) only
 - (C) (ii) and (iii) only
 - (D) (iii) and (iv) only

Sample Question 4

Bursa Malaysia Securities Berhad may do all of the following EXCEPT:

- (A) fine, suspend or expel a Participant
- (B) suspend a dealer's representative licence
- (C) investigate and adjudicate upon a complaint by a non-Participant
- (D) notify Participants of a defaulting non-Participant

Sample Question 5

Where a contract for the sale of shares exists, to whom do the rights and obligations under the contract apply?

- (i) To the buyer of the shares
 - (ii) To the seller of the shares
 - (iii) To Bursa Malaysia Securities Berhad through whom the shares are traded
 - (iv) To the provider of a secured loan to the buyer
-
- (A) (i) and (ii) only
 - (B) (i), (ii) and (iii) only
 - (C) (ii), (iii) and (iv) only
 - (D) All of the above

Answers

Sample Question 1 - D

Sample Question 2 - C

Sample Question 3 - C

Sample Question 4 - B

Sample Question 5 - A